

Admiral Turner's speech to the Business Council
Washington, D.C., 15 February 1978

Thank you very much John, Secretary Kreps, Secretary Claytor, Members of the Council. I was really very pleased when John called me and asked me to be with you tonight. First, because I have most enjoyed the privilege of being with you the last two sessions at the Homestead. At least I enjoyed it up to the point where Harry Gray and I lost 8 out of 10 tennis games. Beyond that, I was very pleased at this opportunity because--almost since last March when I took this office, I have been interested and concerned about the relationships between the business community of our country and its Intelligence Community. I happen to feel that John de Butt's charge to me on the phone that I might suggest to you what you could do to help us in the Intelligence Community is something I very much wanted to explore. But I also wanted to explore with you how we in the intelligence world might be of better service and better help to you.

I happen to believe that the trends in the intelligence world today are leading to great coincidence of interests between the intelligence and the business worlds and greater opportunities for contact. I would like tonight to discuss four of those trends, trends that are emerging with a new mode, a new model of American intelligence. One that has been shaped out of the crucible of three years of intensive

public criticism of the intelligence practices of the past. And I'm encouraged, I'm very encouraged at the directions that this new shape of intelligence is taking us and, as I say, I believe it will bring us into greater usefulness to you.

The first trend that I would like to talk about is our product, because our product is changing today. It's shifting from a concentration on Soviet military matters to a much wider geographic sphere and a much wider range of topics, including a great deal of emphasis on international economics. And let me emphasize that the stress on international economics is not just another way of getting into the military equation. The stress is because there is such a growing importance to our country of its economic position in the world. Now 30 years ago when we first organized a peacetime central intelligence organization for this country, we were the dominant political power and we were an independent economic power. The only threat that we could see on the horizon for intelligence to explore was a military one and, of course, from the Soviet Union. As events turned out, however, the product that we needed in intelligence, while concentrating on the Soviet military picture, was not really what they were doing in military matters, it was how they were brandishing their military sword and at the same time threatening and subverting other countries of the world. And as a result of that, the product the country wanted from intelligence was not only information about what the

Soviets were doing in these areas but help--political action in countering those actions. And so we became a major player in what we term covert political action. This was influencing events like the change of governments in Iran in 1953, in Guatemala in 1954 and our efforts throughout the 60's in Cuba and as recently as 1975 in Angola, at least until the Congress put a stop to that. But look at how the world has changed since those early days and its primary focus on Soviet military intelligence. Today, we of course, have commercial and political interests and relations with most of the 150 some countries in the world. But they are independent political entities and we are interdependent economically with so many of them. This means that we must keep abreast of the trends, the problems, the issues in these countries but in by far the greater part of them those issues, those problems, are economic and political--not military.

At the same time our product has had to change because in this country there is a lessened interest in meddling in the internal affairs of other countries--in the covert political action that I mentioned earlier. This is not, in my opinion, something that means we could eschew covert political action or that we should not have that capability available. But I do believe the applicability of it to our national needs is less today than it was a decade ago. And

I believe it must be exercised more judiciously and under greater control. So our product today in the intelligence world is good intelligence information--economic, political and military--on a wide range of countries around the world. And we're under pressure to provide intelligence on subjects today that we never thought about a decade ago--predicting the Soviet grain harvest. We are much involved in the question of technological status of the Soviet Union and many other countries; not just for the military content but for the industrial as well. We are much involved in the question of how technology transfer takes place. And we're involved in the question of economic balance, economic relationships, between our country and the major industrial powers of the world. We work closely with Juanita and her people and Mike Blumenthal and his people, but we try not to overlap, we try not to duplicate what they do. But often in the intelligence world we do have unique sources of information even in the economic sphere. In addition, the analysts we have are a major resource to our economic community and the government. And they, at the CIA at least, are the only group of economic analysis who are totally disassociated from national policy. They are the ones who have the special responsibility to provide totally objective analysis to our decision-makers.

For instance, in January you may have noted that Chancellor Schmidt in his state of the union address to the

German Republic cited Walter Wriston's corporation in saying that a 1% rate of growth for West Germany would have a snow over affect of only 5/100 of a percent of additional growth in the United Kingdom and 7/100 of a percent in France. Now we happen to have a different model than Walt and I went and told our policy makers that we think your calculations are off by a factor of four. Now the issue isn't who's right in this case, and we certainly don't profess that we've got the answer, but the issue that I think was important is that our government leaders have an independent assessment of that situation; of what impact the rate of growth on the German economy would have on our interests in the other economies around the world.

Our intelligence analysis apparatus gives us an opportunity, perhaps the best in our government, to give that kind of objective, unbiased analyses to our decision makers. So what I'm saying to you is that I believe there is a greater coincidence today of the kind of information producing that we are now using or now making in our product, than there has been ever before with the business community and the Intelligence Community because so much more of what we are doing is relevant to your concerns.

The second trend that I would like to mention goes right along with the change of product--the production line. The traditional production line of intelligence has always

been the human intelligence agent--the spy. Thanks in large measure to many of you here, over the last decade and a half there's been a revolution in the production line in American intelligence. Today we have technical means of collecting intelligence that just bring in vast quantities of data. So much bigger than we've ever had before and processing and handling it is really becoming a major issue for us. Interestingly though, this means in turn that there is renewed emphasis on the old traditional human intelligence agent. Because what happens is when you get data from these technical systems you're getting information generally about what happened yesterday, or maybe today, in some other country. When you provide that to a decision maker the immediate response is that "Stan, why did they do that, what are they going to do tomorrow, what are their plans, what are their intentions?" And that, of course, in defining the plans, the thoughts, the hopes of other people, is the forte of the human intelligence collector. The human intelligence agents come in two categories--clandestine and overt--the spy and the citizen who just has information. Now clandestine intelligence agents are risky, they're scarce and they're costly. It is our policy that we never use the clandestine technique when we can do it by overt or open means.

Now with military secrets, it is usually very difficult to use the open human intelligence source. There aren't many Americans who go to the Soviet Union and travel around in military training areas and come back and report to us on the activities they've seen. But, of course, there are lots of you, lots of other American businessmen who do go to the Soviet Union and more than that go to many of these other hundred-odd countries with which we have legitimate interest and concerns in the intelligence field. And you sit down with their bankers and businessmen and are able to exchange ideas. As a military officer, in 31 years I sat down once with a Russian Admiral and then in a very guarded fashion. In short, as our needs are shifting today to more economic and political intelligence, the overt--the open human source in our production line--has become much more important; much more valuable than just a few years ago. You the American business community are one of the best potential components of that open production line.

In many instances your representatives overseas have a better feel for both the political and the economic situation in the countries in which they're living and working than do the American government representatives there. I say that because bureaucrats unfortunately tend to isolate themselves with bureaucrats. It is unfortunate

but true. Sometimes also it's very valuable for us to get your feel for the trends in these countries. Because when you collect economic intelligence, economic data on what's going on over there, you automatically have to translate that into your sense of what the trends are going to be. Is the country going to be stable? Are they going to nationalize you? Is the market going to be open? And so on. When we go and collect economic data clandestinely we then have to turn it over to analysts who have to try to sort out the biases of our sources and try to interpret it themselves. I would suggest that in many, many instances your interpretation is far more likely to be on the mark than ours. In large measure, of course, because you have the profit and lost statement as the bottom line. Hence, in many instances, we can stand to gain a great deal by benefiting from your interpretation of the international scene.

But this leads, of course, to the question on how we can do that best and properly. And how we can gain access to what you have through open information and exchange. We have in the Central Intelligence Agency something known as the Domestic Collection Division which is our overt collection operation in the United States. Headquarters in 39 different cities, listed in the telephone book and totally open and above board. I am very grateful for the large degree of cooperation that always has existed

between most of your corporations and these Domestic Collection Division offices. They are, of course, an opportunity for any American citizen to provide information to his government. But you are not just American citizens, you must balance your responsibilities to help your government as a citizen, with your responsibility as president, chairman or chief executive officer, to your stockholders and your boards. And I can't tell you how to balance those responsibilities in this instance. Most of the corporations with which we deal take a position that they will work with the Intelligence Community and they will work with any other element of our government when it is in the government's best interest.

But what I would like to address to you is our policy on keeping the relationships we have with you confidential. We think our record of protecting our sources of open intelligence information is very good. And we have a law which places on my back the responsibility for protecting our sources of collecting intelligence, whether they be open or clandestine sources. We pay a very particular attention to this responsibility. I assure you that the Domestic Collection Division looks upon the sanctity of its open relationships with the American business community in the same light as our clandestine people look upon their covert relationships to the agents and spies dependent on their actions. We are particularly mindful when those occasions come along when disclosure of the information itself may

disclose inadvertently the name of the corporation that gave it to us. Or when, by chance, proprietary information may be involved. Here we make very special precautions to use this legal authority to withhold information that relates to our sources and methods of collecting intelligence and this does give us a protection, a good protection, against the Freedom of Information Act by which you frequently are pressed to disclose information including sources but we never have at this point.

Still I would not want to fail to acknowledge that there are risks to you in associating with organizations such as those in our Intelligence Community which have been so severely criticised in public in recent years. I am sure you recognize how much of that was exaggeration.

But the third trend I would like to mention to you--I hope it will provide some reassurance to you on this score. This trend is one toward greater oversight of the intelligence process in our country today. You certainly appreciate that in the business that we are in there is no way that, of the many things we must do, either being done in secret or not being done at all, that we can have public oversight of our process. But what we can have is surrogate public oversight. And the surrogates are the President, the Vice President, the National Security Council, something known as the Intelligence Oversight Board, and two committees of the Congress dedicated

to the oversight process. And I can assure you that we are reporting to these people, these surrogates for the public, more thoroughly more regularly today than ever before. Now clearly there are risks in doing this but there are also strengths. We are in the process right now of settling down and balancing out those risks and those strengths so that we don't have too much oversight but we have enough. I can assure you that the process is well enough established today that you can be confident that the intelligence organizations of our country are operating under good control of the government. And I can also assure you that I have confidence that over the year or two ahead we are going to work out the right balance here that will let us continue a successful and capable intelligence operation for our country in accordance with the democratic standards of our society.

Now hopefully there is another side to this coin that I've been talking about as how you might help us and that's how we may feed back to you better and more usefully both from our overt and covert activities and particularly from our bank of analysts who work on the material that is gathered by one or the other of these means. This happens to coincide with the fourth trend that I like to emphasize and that's the trend towards greater openness in our intelligence process in this country.

Now we've embarked on a policy of greater openness for a number of reasons. One is simply that we really do

need more support from the public and I think we'll get that as we begin to show a greater return on investment. So we are publishing today more studies in unclassified form than perhaps ever before. When we produce a study, an estimate, an evaluation, we look at it and we ask ourselves if we took out of it that which must really be taken out to preserve our intelligence interests, and protect our sources of collecting that information, would there be enough left to be of value to the American public? And if so, we publish it. We are also being more open today because it's critical that we protect our classified information in this country better. One way to do that in my view is to reduce the amount of classified information. There is too much of it about today. You look at a document and one says top secret, and one says secret, and one says cosmic and one says destroy before reading, and people simply do not respect it because of the great quantity. The Ellsbergs, the Snepps, the people like this show that lack of regard. As a result, I hope by cleansing the system of as much that can be made unclassified as possible we will generate a greater respect for what is left.

Now in that process I hope that we can provide the greater flow of information that would be of interest and value to you. This last year for instance, we have two studies--two estimates which we publish on an unclassified basis every week.

If you recall last March we produced one on the world energy situation and the bottom line of that was simply that we believe that within the next three or four or five years there is a high probability of strong upward pressures on the prices of world energy. In May we produced one on the world steel outlook, which simply said that, as we all know, there are no major steel producing companies today operating at anywhere near capacity. There is more capacity being constructed particularly in the lesser developed countries and we don't see the curve of supply reaching up to match this growing capacity. In July we produced one on the prospects of the Soviet economy. Here we simply said that they've got problems, they may solve them but in the process you better beware that their ability to generate foreign exchange to enter your markets and Western European markets for technology and manufactured goods is going to be tapped.

And unfortunately we also produced a study last summer on international terrorism. And it says to you I'm afraid that over the last several years the percentage of incidents of international terrorism in which American citizens and American corporations are involved has increased from 40% to 60%.

Every week we also produce an economic intelligence digest and every other week we also produce an international energy digest. Twelve percent of the corporations in the

business council subscribe to these and to all these various publications that we put out from time to time. They subscribe to the Library of Congress which acts as our agents here. I have tonight on the couch in the back of the room a number of samples of these kinds of things we do produce for those of you who are interested.

Now I have hesitated to talk about the world energy situation, the world steel situation, here in this group; like that man who drowned in the Johnstown flood and ended up talking to Noah about it. But seriously we don't contend that our analyses are any better than any one elses. We don't think we have a corner on brains or information. But sometimes we do get unique information which we can utilize even in the unclassified versions of these studies. What we really hope we are doing is helping the quality of national debate on these issues; helping to focus the country on the correct issues within these various topics. But I am not always sure that we know which issues are of most interest and concern to you in the business community. Basically I'm simply publishing in unclassified form what we're doing for the government and consumers. But on the other hand, if we knew what you are most interested in, it might tip the scale one way or the other as to whether we felt it is worth publishing something.

Through our mechanisms in the Domestic Collection Division we do get, of course, some feedback of what your concerns are. But it is not really adequate, I don't believe. Are you really most interested in political projections about where nationalization may take place next? Are you most concerned about the rise of Eurocommunism and its effect on the economy of those countries? Or, on the separatism in Canada; on the stability of South Africa; on the future of the OPEC and its cohesiveness? What are the things that are of most concern to you? I'm not saying that if we knew these, we could divert resources to those particular topics, because I have my stockholders and my board too--the President and the Congress--and I must account to them the utilization of my resources. But I can look for areas of common concern here. I can't be your security officer and I can't be your economic analyst. But when I do understand what you are interested in and when it is coincident with what we are doing in some form anyway, I can and would like to be of greater service to you.

Now also for me there are risks in this program. There are risks in the distribution of my product. Because I don't want to be partial, I don't want to be accused of favoring one corporation or another or giving somebody information that another corporation is in competition with. And I can't fill individual requests for information. But

I do say that we can share with you, share with you as a group, what we have when it is of concern to you and we would like to know better what those concerns are.

In summary, let me just say that your country's Intelligence Community is on the move today in a number of directions of which I've discussed before. The desire for a strong capable better control of the Intelligence Community is very clear. Several weeks ago the President signed the new Executive Order strengthening and reordering our Intelligence Community. Last week the Congress submitted or tabled new legislation following on the President's initiative and going in very much the same direction. Out of these orders, out of this charter legislation, out of these trends that I've been discussing, I believe are emerging greater opportunities for proper circumspect interaction between the business community and the Intelligence Community and hopefully that can be of mutual benefit.

I am here tonight looking for your views on what that relationship should be. I want to build on the very productive relationship that already exists and for which we are very grateful. I suspect that what is needed next is improved two-way communications. The fact that you've asked me to be with you tonight is certainly a major step for me in that direction and I'm very thankful for the opportunity.

Business Council Questions & Answers -
15 February 1978

Q: I'd like to make a few comments about your speech here and very frankly I'm thoughtful about some aspects. It seems to me that the basic purpose of the Intelligence Community is to obtain information for our government and for our country that cannot be obtained in other ways. Now I understand very well that we have a very good capability of technical intelligence. We have a lot of information, but at the same time, our ability to get the human information has been weak. We have not been able to know what people are going to do. If I grasp what you've said, you're going to back-off from this and you're going to rely more on the information that's available to other people to build analyses. It seems to me that you're not in a better position to analyze the economic trends, than the business community is, and at the same time, I really think that your function is to concentrate on covert information--to get information that is not available to the business community, to other institutions, and you're trying to avoid that responsibility by going out and just doing a lot of what other organizations are doing. I think that you're missing the whole point of your responsibility.

A: I appreciate the view and if I gave the impression that we're going to neglect the covert side of the activity, I'm afraid it's because I was trying to stress the relationship I believe does exist and should exist more between the business community and the intelligence community. It must be done primarily on an overt basis. There is no intent on my part to reduce either the human covert or the technical covert activity. But I will say to you that I have seen in my short time here a number of instances in which bringing together overtly available information, and covertly, has paid great dividends. And frequently the overt information while available to almost anyone in the private sector, is not collated, is not brought together to a critical mass, as it is when we work on it. I have one instance in mind: When the Soviets purchase a particular technology in this country from many of your corporations, the individual sale was nothing notable, but the aggregate of them gave us a clue which we then married with some very

sensitive covert information and from that we were able to deduce a major thrust, a major direction of the Soviet economic and military activities. ... (turned tape over) with a few exceptions there isn't as much research from that particular aspect of oil as we think that we have done, because we have a particular concern about the Soviet Union. And relationships between the American oil community and the Soviet Union are not as great as between other areas of the world and our oil corporations. So I only assure you, sir, I'm not going to neglect the covert side. We are very active in it. We're very good at it and it is an absolutely essential function that we're doing.

Q: For many years I followed the practice of meeting with CIA representatives after I returned from foreign trips--visits to Russia and other Communist countries--and I was willing and they were interested in my interpretations. Is the proposed legislation going to minister to that practice?

A: No, there's absolutely nothing in the new legislation--it is in draft form still--that would inhibit that and I can assure you that I will resist and fight it if it does come up in any way. There is a great deal in both the Executive Order and the new legislation which is intended to protect the rights of the American citizen. But I see no inclination on anyone's part to deny the citizen the right to share with his government. I've held firm on that with the newsmen for instance. I've been banded about and they've said we must have no relationships with the newsmen, and we have no paid relationships with American media representatives, people who are accredited to American news organizations. But I have stood absolutely firm that any newsman who wants to walk into my office voluntarily and tell me something, I'd be most happy to see him and any newsmen who want to walk in and say would you give me your best unclassified information on country X, I'd be happy to share it with them. That's a mutual service. A mutual relationship that we must preserve and not only newsmen but businessmen and any other form of citizen in the country.

Q: Admiral, you eluded briefly to terrorism, do you see any indications of terroristic activities within the continental United States?

A: No, we've been blessed by a very little of that and I see no real trend toward it developing but let me emphasize to you I'm not the FBI. It's not my beat, but of course, I would be fairly well aware of it if it were developing and have some connection with the international sphere. I think, knock on wood, we've been very fortunate thus far and of course, you know our hijacking record because of security procedures has become exemplary.

Q: There's been an awful lot of emphasis lately on the past abuses of the CIA. With all of the oversights which there will be, isn't there a likely tendency for most agents to not play it safe and the way to play it safe is to sort of dog it and make believe they're doing a lot of things but in fact not take any risks?

A: Yes, there's no question, that as you put more controls on people and you put more emphasis on obeying the law and the regulations and protections for the American citizens, that none of us in the Intelligence business wants to go to jail. None of us wants to be fired, or whatever else, because we have transgressed in anyway. So it could become an inhibiting factor here. I don't think it has reached a serious proportion. I don't think it is out of balance at this time with the need and the desire of the country for better assurance that things are being done in the right way. But in addition, we know if our agents are taking cover and not producing and we're very alert to that, and we watch not only the quantity but the quality of their product, and they also know that there are long-term rewards on producing a good quality product. So we have to play that very delicately and putting the pressure on them in an appropriate way and not pressuring them to exceed the limits of what their regulations are. I don't think the regulations have yet become unduly burdensome but this next year, as we negotiate this legislation with the Congress, is going to be very critical in that respect.

Q: A couple of years ago, about three days before a stockholders meeting as a matter of fact, I found that up until about a year before, there had been a member of the CIA on the General Foods payroll. And he had been there for about ten years. I didn't know it and my predecessor the chief executive hadn't known it. I felt abused, I felt abused by my organization, but I also felt abused by the CIA. Now I wonder whether that sort of thing could still happen, or whether there isn't provision made at least at the

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chief executive level of a company to know that there is somebody on the payroll who has that responsibility.

A: I'll level with you. Yes that could happen. I hope it won't. And I have since taking office established new rules in that regard. It is our policy that the officers of a corporation are to know when we establish a paid relationship with any member of their corporation or business. I have, to be very honest with you, an escape clause in my internal regulations and I only exercise that when it is clear the the relationship could not be maintained and it is of really great importance to the country. There are also some reasons you can't lay down in absolutely black and white rules, so I have some concern about some of these rules getting put into legislation. For instance, I came across a case just the other day--we have a young lady in a particular city who has worked for us in the past as a part-time employee. She has been good at making contacts with foreigners in that city and soliciting information that will help us understand whether they're the kind of people we want to contact over the long run when they go back to their country. But she worked for a major department store. And all of a sudden our people dropped her because she in no way would let us contact the department store and tell them that she was going to work for us in the evenings doing this other kind of work. I relaxed that one because nothing she is doing in any way implicates the department store. That is, she's not taking information that she gains by working in the department store or she's not going to make her contacts with these foreign people as a representative of that department store. I think the equity in the store are very minimal in the act and this is a very valuable product for us. So that's the kind of minor exception I am trying to make. But the basic rule is we're going to let you know and ask your forbearance if we work with your people.

Q: We've all recognized the problem that's been happening here on the energy problems. We also recognize that on two or three occasions your organization has put out comments on the world energy situation. Now one of those recently has had to do with the availability and capacity of oil in Saudi Arabia and recently you have corrected what to those of us who have been close to the Saudi Arabians and recognized it, was in the first instance a mistake. A word of caution. It seems to me at least that if you're going to play this role of taking overt information and trying to interpret it and reach conclusions on that basis....(inaudible)...

If you hadn't had to go through that exercise of correcting yourself, you would be a hell of a lot more believable. So I just appeal to you that if you're going to use overt information and you're going to make judgments, please tell it to those of us who are more close to the situation than some of your people are, and at least try to keep your original thoughts out of it because it may be helpful to you in avoiding the same problems as in the past.

- A: I really do appreciate that. No question that was a mistake in the sense of the way we quoted the 8 1/2 million barrel figure was very poor. And when we corrected it, it wasn't correcting the figure, it was pointing out how we made that calculation and we now of course, will use this and the old calculation side by side so people can see the difference. It was just very, very poorly presented, and I apologize, and will take your advice.
- Q: If you were a man from Mars and came down to observe the surveillance systems of the two major countries in the world, how would you assess these today?
- A: I would say in the technological area, technical collection of intelligence we are well ahead. American technology is that far ahead of the Soviet Union. Our ingenuity is that far ahead. I would say on the human intelligence collection side, we will never match the prodigious amount of effort that they put in. We will never be able to overcome the handicaps of our being a free and open society much more susceptible to penetration. The difficulties of penetrating a very closed society were, if anyone who associates too much with outsiders is an aberration easily noticed. So we are behind in the human collection spheres. And I think irrefutable there. I would finally say that I still believe very strongly that we are the number one intelligence service in the world. Primarily because of the technological advantage and the fact that our analysts are operating, living in a free society, one that encourages different viewpoints to be brought forward in this intelligence process. And I don't think you can produce that kind of open, hard, objective analysis in a society where you are so encumbered by the structure around you, as in the Soviet Union.

Q: Along those lines, as a member of the President's Commission investigating the CIA, I became privy to information on just what the Russians are doing in this country. Now some of it has been made public information and as a citizen, and although many citizens are critical of what the CIA and the FBI have been doing with respect to civil rights, I am even more concerned with the invasion of our civil rights by the Russians with respect to interception of telephone communications and so forth. I think this group would be particularly interested if you would just summarize your understanding of what the Russians are doing in this field without giving away classified information.

A: I'll be happy to go as far as I possibly can. In New York, Washington, and San Francisco the Soviet Union exercises considerable effort to intercept microwave and communications. Thanks to John deButts (and his people and probably many others of you, who are cooperating with him and others, the vast majority of government communications in those centers are well protected today.

Q: Including Congress?

A: No.

Q: This is important because our telephone communications with members of Congress may be jeopardized. Is that correct?

A: That's correct, and your commercial communications for your corporations, unless you have taken action yourselves are not protected and I can suggest to you that when the Soviets found they weren't hitting paydirt in the military or classified government field, they would naturally shift their activities and they are very interested in the commercial communications in this country. I can also assure you that I don't believe that there is evidence that they're working against J.Q. Public in his private capacity on his private telephone. So the problem is somewhere between the high classified government activity and the normal average citizen's conversation. It is a serious problem and one the government has been working on and studying and working with the telecommunications industry and we're hoping to go on with these systems to give the full protection that the country deserves. Some of it is a technological problem some of it is a financial problem, some a bureaucratic problem. We are paying a great deal of attention to it and trying to move to a much more secure

mis-stated, overstated, understated the situation?

Q: No. With regard to the communications overseas, more than half of it is by satellite. There is no question about the fact that those microwave signals could be intercepted most anywhere. They throw out a cone and if you were inside that cone you could pick them up just as we do. You interpret the signals as they are opening out and typing them down as we do. And Stan is absolutely right. We have made every effort to hardwire out Defense, State Department communications going into the country. On the other hand, they are interested in knowing what your business is in calling, they're interested in knowing what you're saying to your Congressman; what the Congressman is saying to you to get a picture of the economic position, economic trends, what's going on technologically within the country.(inaudible)...

A: You have to make people much more aware of the invulnerability and the government with the protection that we just can't use the clear unclassified telephone even though we've taken these steps and we have classified telephones with scramblers on them. It is always a temptation to grab the other one because it is quicker and easier and clearer. You've got to learn to resist that I suggest that is probably getting to be the case with business also. You're going to have to be more selective in what your willing to let your people put on a vulnerable circuit.

Q: The reception centers in those three cities--can't you do something about closing them down?

A: No, for several reasons. You can see the reception centers on the roofs of the Soviet Embassy; the wooden shack up there, antennas and we can't go in the Embassy, it is their jurisdiction. Besides if you really do start some kind of game of chasing that down or jamming that or doing something to it, it's not terribly difficult to move it to some other location. They might not have diplomatic immunity for that location, but many of the employees have their own houses or apartments and it can get to be quite a chase if you start after it.

Q: The morale and reputation of the CIA these last few years, everybody here I think will agree, has gone way down. On the basis of information given to the public, which some people think is inaccurate and some is known not to be accurate. My question is

simply how is morale right now?

A: Yes, the morale of the Central Intelligence Agency and throughout the Intelligence Community has, of course, taken a beating over the three years during the Rockefeller Investigation, the Church investigation, the Pike Investigations, all of which were necessary. But, for instance, I talked to one of our more senior CIA people the other day. It happened that he had a son in Africa a few years ago and it was pretty tough on the father because the son and the Eastern Liberal College just could not admit that his father was working for the CIA and it wasn't a secret in that sense. He just couldn't stand up to it on his college campus. That really drives a tough wedge--when you entered a profession 20 or 30 years ago and it was a most honorable one--and then you find another such strong public criticism. Then he was in the military and felt that to some extent during the height of the criticism of Vietnam. This is an entirely atmosphere than we lived in when we first put the uniform on. We've come out of that--I think the Intelligence Community is coming out of that. Let me say that I don't think there is a more dedicated, capable group of people in our government than in the Central Intelligence Agency. And while, yes, there has been morale problems, of this period of criticism, of this period of a new administration coming in a year ago and setting out as one of its early tasks before I got on the scene, to study and look at the reorganization of the Intelligence Community. You know that leaves people uncertain as to what is going to come out of that. And that now has just shaken down. Then I came along and found it necessary to tear back the fat the overhead, the unnecessary people we've had and clearly that did not help morale. But it was intended to help morale in the long run, because when you have 35 year-old and underemployed and over-managed, you don't have good long-term morale there and I'm trying to build for 1980's and 1990's for the Central Intelligence Agency. Because we're going to run out of the old troopers who came in in the early days. We've got to make it attractive and a good career for the younger people. But I would say two things: the first is despite all of this, I do not believe there has been any meaningful reduction in effort and quality of product. They are a dedicated, disciplined organization, and they are still doing their job, and if you go out there right now, there will be top-level people there working on some crisis, and they come in and they work at any hour of the day or night. And secondly, while I'm not the best fellow to ask this, my depth tells me we've turned the corner

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and we're on our way up. I would say that I happen to feel that the articles in Time and Newsweek a couple of weeks ago were one of the first indications of a positive approach, a constructive approach to the intelligence question of our country, not just a critical one. There was criticism and that's proper and that's find and that's journalism. But I thought the underlying theme was one of how can we have good intelligence for our country within our democratic ideals of standards. That's a debate that I'm anxious to see mature in this country because the country will come out on the right side.

Q: On that same note, I think one of the fundamental weaknesses, mistakes in the policy formation of the U.S. is the assumption that the rest of the country feels the same sort of sentiment that was expressed in the Washington Post and the New York Times. I think that's simply not so. I can't prove this, but I suspect that you will find that out in the country there is very deep support for the intelligence activity in the U.S. And if you are going to do everything you can to mine that area of public support because I think it's there to be had. I think the issue here is not what the intelligence community can do for business. The issue is what we can do to help you in the important job that only you can do for our country.

A: You are absolutely right. The Washington Post does put an undue slant on things and is not representative of the country. I have tried to begin to take the offensive. After I was in office 6 months, I started a policy of about once every four and five weeks going out and making four or five talks--to college campuses business groups, rotary clubs and whatever else. I find as I move across the country, and I've been the full gambit, that there is very strong support even on the East coast for a good intelligence operation. But I would also say to you that in the center of the country, on the extremes of the country, I also meet a very deep seated suspicion that we're doing something in addition to what we're supposed to be doing. I feel that over the several years ahead, and the healing process will take that long, is to overcome that suspicion. It is not a suspicion that says we don't want you because we're suspicious, it is that we want you, but please let's do it in the right way and we're going to do it that way.

Thank you...

BUSINESS COUNCIL TALK

15 FEBRUARY 1978

Delighted

1. Privilege
2. Relations BC-IC much on mind

John Butts suggested discuss ways BC could help IC--

I'd like to explore whether ways IC help BC

Believe trends driving us to coincident interest--

more contacts between IC and BC.

Trends in IC--reshaping IC--taking from crucible 3 years
criticism and investigation

1. Product changing
 - shifting from concentration on SOV-MIL to wider range of countries and wider range of topics, including lot of emphasis on international economics.
 - emphasize not just another route to military information. Interested in economic information because economic questions of themselves growing importance to national position
 - 30 years ago
 - o CIA emerged from OSS/Cold War
 - o Single focus--Soviet/Military--dominant political power; independent economically; only possible threat--military looked at Soviet Union, looked 6-8 other nations

Forays into Third World

- o Product depended on what Soviets up to and where.
Turned out what up to not military adventures
as much as to MIL threat and political subversion.
- o So we called on IC, not just intel collection.
On what Sov doing in attempting subvert, but
Also covert political action
- o Influence events about which reporting--Iran,
Guatemala, etc.
- Look how world changed
 - o U.S. has commercial & political relationships
150+ countries. They are independent pol; we are
interdependent with them econ. Means must keep
abreast on their problems & attitudes, & for most
these problems are on issues of econ. & pol. not MIL
 - o Covert action down but capability retained
 - Less useful--today's climate
 - More judicious use
 - Controls
- Product today
 - o Intelligence information--economic/political/military
 - wide geographic area
 - Examples--recurring requests to support USG;
 1. Predicting Soviet Grain Harvest

2. What is the technological status of the Soviet Union--& other countries? How is technology transfer through commercial channels affecting that status? What is their ability to assimilate that technology? In part reflects military balance--also economic balance.
3. Economic balance & interaction between ourselves & principal developed economies--
Work closely Mike Blumenthal and Juanita Kreps--try not duplicate their efforts--often we have unique sources, sometimes best net work and frequently most analytic talent. e.g., Reported Schmidt in Jan. state of nation address quoted Citibank figures--Show 1% faster growth FRG would only stimulate additional growth 5/100% UK; 7/100% France. I subsequently informed our decision-makers we don't agree with Citibank. We estimate the impact will be greater by about a factor of 4.

Issue--not who's correct--but government needs independent view of these commercial considerations--intel gathering and analysis function provides wider range data this area than any other. Our interests becoming more coincident because the information which is our product has higher content today of direct relevance to you.

2. Not only product production line changing
 - Traditional reliance--human agent
 - Increased technical capabilities. Thanks to you--vastly increased quantities of data
 - Means increased need for human collection
 - o More facts collected--more need for interpret/motives/plans. Only human agents can provide. Come in two versions: clandestine and overt/open.
 - o Clandestine intell agents--scarce, costly, risky

Fundamental rule: don't risk

clandestine assets if info

available overtly

- o With MIL secrets clandestine collection is usually only way--closed societies
- o Don't find many American citizens wander openly around Soviet military maneuvers and can report back on mil intell. In economic sphere your business contacts are expanding not only in Soviet Union but so many other 150 nations; many of you sit down with bankers or other businessmen from Soviet Union or other foreign countries; only once in 30 years did I ever sit down w/Soviet Admiral--then very guarded manner.

In short, as needs shift more to economic & political intelligence--open, overt, human production line more valuable than was just few years ago.

- American business community one best potential components of that open production line.
- Many instances your representatives overseas have far better feel for a country's politics & economic conditions than do all our government officials in same country--including mine.
- Bureaucracies simply tend isolate themselves with other bureaucracies----Unfortunate--True
- Sometimes also it's very beneficial to get your feel for trends in foreign country--because you have automatically interpreted it--whether market going up or down in your business
- With us we derive economic data clandestinely. We must then interpret it ourselves--offsetting sources & placing it in broader context
- Suspect seldom as good as you at that kind interpretation--we don't have same pressure of profit & loss statement. Hence in many instances we stand to gain a great deal from your interpretation of international scene.
- There are, however, other instances, we have advantage of being able collate info from number open sources--
e.g., What technology Soviets buying & why may not be apparent to individual corporations who each sell

- As we pull together--see proper picture--clue
- Actual case--led to classified sources for explanation
- As our production line changes to greater dependence on overt human collection, our open contacts with you are becoming more valuable. Value always there, downplayed in past because little help in MIL sphere.

Leads to question--How do we best and properly gain access to that open information available in the U.S. business community?

DCD- CIA's overt collectors inside U.S.--have offices in

- 39 cities--in phone book
- call, say I'd like to talk to you.
- totally open & above board.

Opportunity--American citizen--offer--You not just American citizen

Reasonable question to ask: What you as President, CEO, Chairman, mix your responsibility to your country and your Board or your stockholders? Clearly I can't answer that. Most corporations, I believe, simply take position their policy is to cooperate with any government agency which asks for information.

But what I can address is our policies & actions to keep such a relationship confidential.

- First, our record of protecting sources has been

sources & methods

- Governs open as well as clandestine.
 - o Unique info which could point to specific company is regarded the same as the company name. That info is also protected even from FOIA pressures under sources & methods legislation
- DCD looks on the sanctity of their open relationships with business world in just the same way that the clandestine service looks on its covert relationships with agents/spies. Rarely for instance is it necessary for our analysts to know the exact source of data supplied by DCD
- Unique Problem
 - o Proprietary interests--

Very conscious that in calling a matter of foreign intelligence interest to our attention, may reveal some proprietary data. Recognize strong obligation to protect not only your identity but all such information.
- Special controls on proprietary info in addition to classification. Can't be quoted unless we go back to source for specific permission.

Still recognize risks to you in associating with
organizations so severely & publicly criticized
in past.

Am sure you recognize much hyperbole

But 4th trend--provides some reassurance

Greater oversight

IF errors--out of touch

Today much more formalized procedures for
staying in touch

For reasonable degree supervision

Can't have public oversight

Surrogate

President, NSC, IOB, Cogress

Risks

Strengths

Assurances to you that not dealing with organizations
are operating out control

Hopefully there's another side to the coin--

Feedback to BC from both overt and covert activities of IC
especially from large bank of analysts

Coincides with 3rd trend like discuss--openness

Embarked for number of reasons:

1. Need more support from public--think we'll
get when show return for investment.
- publishing studies that can be declassified
without hurting intelligence equities--better

chance weather storm last 3 years--

frequently falsely accused--no one

understood our mission therefore

no support.

- In this business, taking risks for country. May make mistake--not break law, but whether risk worthwhile or not--want public support. Even during some mistakes past--net good plus

2. More open because want to reduce amount classified info--Protect rest.

- Now no one respects--e.g., Ellsberg, Snepp

3. Same time, opens opportunities to serve BC

Examples this year: 2/wk avg.

1. Energy - clearly shows we think price pressures going to with us next 4-5 years.
2. Steel - Not just existing but expanding plant facilities around world will continue to exceed demand.
3. Soviet Economy - Long run--problems of foreign exchange--hard currency--affect ability to enter markets.
4. Terrorism - Unfortunately, trends for Americans & American firms to be target of foreign

terrorism show increase.

Plus unclass. economic weeklies:

1. Economic Intelligence Weekly--
2. International Energy Bi-weekly--
- Suspect most of your companies subscribe
- Single copies of any--Photoduplication Service,
Library of Congress
- Whole service--12.5% firms here subscribe
DOCEX,
Library of Congress
- Have some examples on tables in back tonight
(Don't contend analysts better anyone else's--Do hope
publishing contribute to nat debate--elevating
debate to right issues.)

Not always sure what most important issues--BC

Basically publishing in unclassified form studies for
government but may tip one way or other in business
interested.

1. Have mechanism of our contacts DCD knowing
what BC wants--but not always adequate
 - o Interested on political projections that
might allow an assessment the likelihood of
nationalization or some other kind of
discrimination against foreign ownership...?
 - A.
 - o How the rise of the Communist Party in
Italy, for example, is likely to affect
investments.

- o Whole issue of Canadian separatism.

How serious the threat? What means
for investments?

- o Stability of OPEC? Prospects?

- o Prospects for investments in South
Africa?

- o What do the Chinese want? Where will
they possibly invest their money? How will
they want to pay for goods and services?

- o Guidance on dealing with the Soviet Union
or Eastern Europe or PRC?

e.g.,--who to deal with on specific issues

- the realities or psychology of
dealing with these countries, i.e., how they
negotiate; how far should you go in
negotiations before you pull out and leave?

2. Other sides of the coin--can't divert resources

to purposes of business--my stockholders are
taxpayers--Board of Directors, President &
Congress

Must account to them--expenditure resources

Can look for areas of common interest

Can't be your security officers or economic
analysts

- But when we understand what you are interested in
and it is coincident with what we are doing we
can and would like to be of greater service to

3. Also have the problem of preferential distribution. Don't want to get into the middle of providing information to one company and finding another wanted it also
- Generally must do through Congress, Commerce, How get?, etc.

Conclusions--

1. IC on move today--Number new directions four which mentioned.
2. Desire for strong better controlled IC reflected--President decision E.O.--Congress interest reflected new committees and legislation just intro on Intell.
3. Out these trends--opportunities for greater, proper, circumspect interaction--I hope to mutual benefit.

Here tonight looking for your views on BC--IC relationship

- o Want to build on productive relationship that now exists.
- o Primarily needs good two way communication/exchange of ideas; anxious expand channels now have any appropriate way.
- o Turning to you tonight to suggest ways to do that.